Enero Group Limited
ABN 97 091 524 515
Appendix 4D
Preliminary final report
Half year ended 31 December 2013

Results for Announcement to the Market

Rule 4.2A.3

The current reporting period is 1 July 2013 to 31 December 2013.
The previous corresponding reporting period is 1 July 2012 to 31 December 2012.

Key information

In thousands of AUD

	31 December 2013	31 December 2012	% Change	Amount Change
Revenues from ordinary activities	113,888	135,497	(15.95%)	(21,609)
Profit/(loss) after tax attributable to members	151	(77,675)	100.19%	77,826
Net profit/(loss) for the period attributable to members	151	(77,675)	100.19%	77,826

Dividends	Amount per security	Franked amount per security
-	-	-

At the date of this report, there are no dividend reinvestment plans in operation.

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the attached 31 December 2013 half year financial report and the additional information set out below.

Additional Information

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	0.35	0.36

Explanation of results
Please refer to the attached 31 December 2013 half year financial report and Market Presentation for commentary and further information with respect to the results.

Enero Group Limited

and its controlled entities

31 December 2013 half-year financial report

ABN 97 091 524 515

Contents

Enero Group Limited and its controlled entities
Directors' report

The directors of Enero Group Limited (the "Company") present their report together with the consolidated financial statements for the half year ended 31 December 2013 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the financial half year are:

John Porter – Independent Non-Executive Chairman

John was appointed as Chairman and Non-Executive Director of the Company on 24 April 2012. Prior to joining Enero Group, John Porter was Executive Director and Chief Executive Officer of Austar United Communications Limited from June 1999 to April 2012. John was Managing Director of Austar Entertainment Pty Limited from July 1997 to December 1999. From January 1997 to August 1999, he also served as the Chief Operating Officer of United Asia Pacific, Inc. (UAP). He led the establishment of Austar Entertainment Pty Limited in 1995, and by doing so played an integral role in the development of Australia's subscription television industry. Prior to joining Austar, John spent ten years in various senior management capacities for Time Warner Cable, a subsidiary of Time Warner, Inc. He has more than 30 years of management experience in the US and Australian subscription television industries. John is also currently CEO of Telenet Group Holding NV. John is a member of the Audit Committee and Remuneration and Nomination Committee.

Matthew Melhuish – Chief Executive Officer and Executive Director

Matthew was appointed Chief Executive Officer and Executive Director of the Company on 16 January 2012. Matthew has over 25 years' experience in the advertising and marketing industry across a range of roles in Australia and the UK. Prior to being appointed CEO, Matthew had been the key executive overseeing the Company's Australian Agencies business. Matthew is a founding partner of leading creative agency, BMF and was CEO of that business for 15 years from its inception through to BMF being named as Agency of the Decade. Matthew is a respected leadership figure within the Australian Advertising industry. He is currently Chairman of the EFFIEs Advertising Effectiveness Awards and he has played a key role for over 15 years as a National Board member of the peak industry body, The Communications Council and as a National Board member and National Chairman of its predecessor organisation the Advertising Federation of Australia (AFA). Matthew is a current Board member of the Sydney Festival and was a Board member of the international aid organisation Médecins Sans Frontières/Doctors without Borders (MSF) for 10 years.

Susan McIntosh – Non-Executive Director

Susan was appointed as a Non-Executive Director of the Company on 2 June 2000. Susan has more than 25 years' business experience in media (international television production and distribution and radio) and asset management, and is the Managing Director of RG Capital Holdings (Australia) Pty Ltd. Prior to joining RG Capital, Susan was Chief Financial Officer of Grundy Worldwide Ltd and played an integral role in the establishment of its international television operations and in the eventual sale of the company in 1995. Susan was previously a Director of RG Capital Radio Ltd and E*TRADE Aust Ltd. Susan is a member of the Institute of Chartered Accountants. Susan is a member of the Audit Committee and Remuneration and Nomination Committee.

Roger Amos – Independent Non-Executive Director

Roger was appointed as a Non-Executive Director of the Company on 23 November 2010. Roger is Chairman of Tyrian Diagnostics Limited and a member of its audit committee. He is a Director of REA Group Limited, Chairman of its audit committee and a member of its remuneration committee. He was a Director of Austar United Communications Limited, the Chairman of its audit and risk committee and a member of its remuneration committee until April 2012. All are publicly listed Australian companies. He is the Chairman of Opera Foundation Australia and a Governor of the Cerebral Palsy Alliance Research Foundation. Roger retired in 2006 after 25 years as a Partner of KPMG, where he focused on the information, communication and entertainment sector and held a number of global roles. Roger is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. Roger is the Deputy Chairman of the Board of Directors, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Max Johnston – Independent Non-Executive Director

Max was appointed as a Non-Executive Director of the Company on 28 April 2011. Max is a Non-Executive Director of Probiotec Limited and a Director of Medical Developments International. For 11 years he was President and Chief Executive Officer of Johnson & Johnson, Pacific and an Executive Director of Johnson & Johnson. Max has also held several prominent industry roles, including as a past President of ACCORD Australasia Limited, a former Vice Chairman of the Australian Food and Grocery Council and a former member of the Board of ASMI. He has had extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe and Africa. Max is Chairman of the Remuneration and Nomination Committee.

Principal activities

The principal activities of the Consolidated Entity during the course of the financial year were integrated marketing and communication services, including strategy, market research, advertising, public relations, communications planning, graphic design, events management, direct marketing, and corporate communications.

Review and result of operations for the six months ended 31 December 2013

Reconciliation of profit/(loss) after tax to Operating EBITDA:

In thousands of AUD	**6 months to 31/12/2013**	**6 months to 31/12/2012**
Profit/(loss) after tax	**756**	(77,256)
Income tax expense	**1,894**	1,228
Profit/(loss) before tax	**2,650**	(76,028)
Add/(deduct):		
Impairment of intangible assets (i)	**–**	75,931
Depreciation and amortisation expenses	**2,291**	2,337
Fair value gain on deferred consideration	**–**	(693)
Net finance expenses/(income)	**67**	(42)
Present value interest expenses	**–**	110
Restructuring costs	**–**	673
Operating EBITDA	**5,008**	2,288

(i) For further details on the impairment of intangible assets please refer to Note 7 Impairment.

Basis of preparation

The Directors' Report includes Operating EBITDA, a measure used by the Directors and management in assessing the ongoing performance and position of the Consolidated Entity. Operating EBITDA is a non-IFRS measure and has not been audited or reviewed.

Operating EBITDA is calculated as net profit excluding net finance costs, income taxes, depreciation, amortisation, loss on sale of subsidiaries, fair value adjustments to deferred consideration, impairment, and restructure charges. Operating EBITDA, reconciled to the table above, is the primary measure used by management and the directors in assessing the performance of the Consolidated Entity. It provides information on the Consolidated Entity's cash flow generation excluding significant transactions and non-cash items which are not representative of the Consolidated Entity's ongoing operations.

Review and result of operations (continued)

Disposal

31 December 2013

There were no disposals of subsidiaries in the current reporting period.

31 December 2012

On 10 August 2012, the Consolidated Entity disposed its 51% interest in Belgiovane Williams Mackay (BWM) business for $7,500,000. The asset group was classified as held for sale at 30 June 2012. The financial impacts of this disposal were recognised in the 30 June 2012 Annual Financial Report.

Issue of shares and share options

During the half year ended 31 December 2013, a total of 20,833 shares (31 December 2012: 222,848 shares), originally issued to deferred consideration beneficiaries on 29 September 2010, were released from escrow conditions and recognised as share capital as individual earn out periods have been completed.

During the half year ended 31 December 2013, the Company issued 11,150,000 Share Appreciation Rights to certain Executives of Enero and its subsidiaries under a Share Appreciation Rights plan.

As at 31 December 2013, the Company has 4,784,533 shares (31 December 2012: 787,510 shares) in a trust account held by the Company for future use against long-term incentive equity schemes where required.

Dividend

No dividend was declared during the half year ended on 31 December 2013 or after the interim reporting date but before the date of this report.

Subsequent Events

For events subsequent to the interim reporting date, refer to Note 13 Subsequent events.

Enero Group Limited and its controlled entities
Directors' report (continued)

Lead auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 23 and forms part of the directors' report for the half year ended 31 December 2013.

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Dated at Sydney this 13th day of February 2014.

John Porter
Chairman

Enero Group Limited and its controlled entities
Consolidated interim income statement

For the six months ended 31 December *In thousands of AUD*	Note	2013	2012
Continuing operations			
Gross revenue		**113,888**	135,497
Directly attributable cost of sales		**(52,289)**	(67,677)
Net revenue		**61,599**	67,820
Other income		**218**	51
Employee expenses		**(41,976)**	(49,588)
Occupancy costs		**(4,356)**	(4,774)
Depreciation and amortisation expense		**(2,291)**	(2,337)
Consultancy fees		**(4,623)**	(4,331)
Travel expenses		**(1,360)**	(1,725)
Communication expenses		**(1,144)**	(1,416)
Other operating expenses		**(3,350)**	(4,422)
Fair value adjustment to deferred consideration liability		**–**	693
Impairment of intangible assets	7	**–**	(75,931)
Present value interest expenses		**–**	(110)
Other finance (costs)/income		**(67)**	42
Total finance costs		**(67)**	(68)
Profit/(loss) before income tax		**2,650**	(76,028)
Income tax expense	11	**(1,894)**	(1,228)
Profit/(loss) for the period		**756**	(77,256)
Profit/(loss) for the period attributable to:			
Equity holders of the parent		**151**	(77,675)
Non-controlling interest		**605**	419
		756	(77,256)
Earnings per share			
Basic earnings per share (AUD cents)	8	**0.19**	(96.33)
Diluted earnings per share (AUD cents)	8	**0.02**	(96.41)

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.

Enero Group Limited and its controlled entities
Consolidated interim statement of comprehensive income

For the six months ended 31 December *In thousands of AUD*	**2013**	**2012**
Net profit/(loss) for the period	**756**	(77,256)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	**7,883**	1,965
Other comprehensive income for the period net of tax	**7,883**	1,965
Total comprehensive income for the period	**8,639**	(75,291)
Total comprehensive income for the period attributable to:		
Equity holders of the parent	**7,991**	(75,692)
Non-controlling interest	**648**	401
	8,639	(75,291)

Enero Group Limited and its controlled entities
Consolidated interim statement of changes in equity

In thousands of AUD	Share capital	Accumulated losses	Option reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve	Total	Non controlling interest	Total equity
At 1 July 2012	**489,391**	**(294,898)**	**12,880**	**-**	**(36,518)**	**170,855**	**886**	**171,741**
Profit/(Loss) for the period	-	(77,675)	-	-	-	**(77,675)**	419	**(77,256)**
Other comprehensive income for the period net of tax	-	-	-	-	1,983	**1,983**	(18)	**1,965**
Total comprehensive income for the period	**-**	**(77,675)**	**-**	**-**	**1,983**	**(75,692)**	**401**	**(75,291)**
Transactions with owners recorded directly in equity:								
Contributions by and distributions to owners of the Company								
Shares issued as part of business combination	401	-	-	-	-	**401**	-	**401**
Dividends paid to equity holders	-	-	-	-	-	**-**	(1,040)	**(1,040)**
Share based payment expense	-	-	829	-	-	**829**	-	**829**
Changes in ownership interests in subsidiaries								
Disposal of non-controlling interests without a change in control	-	-	-	(776)		**(776)**	776	**-**
Share issued to non-controlling interest in controlled entities	-	-	(81)	-		**(81)**	81	**-**
At 31 December 2012	**489,792**	**(372,573)**	**13,628**	**(776)**	**(34,535)**	**95,536**	**1,104**	**96,640**
At 1 July 2013	**489,792**	**(377,916)**	**13,862**	**(883)**	**(27,135)**	**97,720**	**1,418**	**99,138**
Profit/(Loss) for the period	-	151	-	-	-	**151**	605	**756**
Other comprehensive income for the period net of tax	-	-	-	-	7,840	**7,840**	43	**7,883**
Total comprehensive income for the period	**-**	**151**	**-**	**-**	**7,840**	**7,991**	**648**	**8,639**
Transactions with owners recorded directly in equity:								
Contributions by and distributions to owners of the Company								
Shares issued as part of business combination	38	-	-	-	-	**38**	-	**38**
Dividends paid to equity holders	-	-	-	-	-	**-**	(368)	**(368)**
Share based payment expense	-	-	527	-	-	**527**	-	**527**
Changes in ownership interests in subsidiaries								
Disposal of non-controlling interests without a change in control	-	-	-	(147)	-	**(147)**	147	**-**
At 31 December 2013	**489,830**	**(377,765)**	**14,389**	**(1,030)**	**(19,295)**	**106,129**	**1,845**	**107,974**

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.

Enero Group Limited and its controlled entities
Consolidated interim statement of financial position

	Note	31-Dec-13	30-Jun-13
In thousands of AUD			
Assets			
Cash and cash equivalents		**21,327**	19,426
Trade and other receivables		**30,663**	30,895
Other assets		**5,264**	8,466
Income tax receivable		**247**	60
Total current assets		**57,501**	58,847
Receivables		**196**	227
Deferred tax assets		**2,668**	2,985
Plant and equipment		**7,737**	7,631
Other assets		**707**	937
Intangible assets		**79,358**	73,177
Total non-current assets		**90,666**	84,957
Total assets		**148,167**	143,804
Liabilities			
Trade and other payables		**31,690**	36,159
Deferred consideration payable	9	**–**	104
Interest-bearing loans and borrowings		**1,822**	636
Employee benefits		**3,189**	3,678
Income tax payable		**1,084**	72
Provisions		**354**	1,103
Total current liabilities		**38,139**	41,752
Trade and other payables		**–**	33
Interest-bearing loans and borrowings		**288**	1,070
Employee benefits		**576**	642
Provisions		**1,190**	1,169
Total non-current liabilities		**2,054**	2,914
Total liabilities		**40,193**	44,666
Net assets		**107,974**	99,138
Equity			
Issued capital		**489,830**	489,792
Reserves		**(5,936)**	(14,156)
Accumulated losses		**(377,765)**	(377,916)
Total equity attributable to equity holders of the parent		**106,129**	97,720
Non-controlling interest		**1,845**	1,418
Total equity		**107,974**	99,138

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.

Enero Group Limited and its controlled entities
Consolidated interim statement of cash flows

For the six months ended 31 December *In thousands of AUD*	**2013**	**2012**
Cash flows from operating activities		
Cash receipts from customers	**126,438**	169,021
Cash paid to suppliers and employees	**(122,925)**	(164,430)
Cash generated from operations	**3,513**	4,591
Interest received	**121**	361
Income taxes paid	**(777)**	(77)
Interest paid	**(186)**	(318)
Net cash from operating activities	**2,671**	4,557
Cash flows from investing activities		
Proceeds from disposal of non-current assets	**63**	44
Payments of deferred consideration	**(66)**	(12,099)
Disposal of controlled entities, net of cash	**–**	5,955
Acquisition of plant and equipment	**(394)**	(1,383)
Net cash used in investing activities	**(397)**	(7,483)
Cash flows from financing activities		
Finance lease payments	**(454)**	(504)
Dividends paid to non-controlling interest in controlled entities	**(368)**	(1,040)
Net cash used in financing activities	**(822)**	(1,544)
Net increase/(decrease) in cash and cash equivalents	**1,452**	(4,470)
Effect of exchange rate fluctuation on cash held	**449**	39
Cash classified as held for sale at beginning of the period	**–**	1,895
Cash and cash equivalents at beginning of the period	**19,426**	21,514
Cash and cash equivalents at end of period	**21,327**	18,978

For the purposes of the statement of cash flows, cash and cash equivalent includes cash on hand and at bank, short term deposits at call and outstanding bank overdrafts.

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.

Enero Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

1. Reporting entity

Enero Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2013 is available at www.enero.com.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2013.

The consolidated interim financial report was approved by the Board of Directors on 13th February 2014.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2013.

Changes in accounting policies

From 1 July 2013 the Consolidated Entity has adopted the following new standards and amendments to the standards, including any consequential amendments to the other standards:

- AASB 12 Disclosures of interests in Other Entities: This standard does not have any impact on the consolidated financial statements as the Consolidated Entity does not have interests in other entities.
- AASB 119 Employee Benefits (revised): This standard does not have any impact on the consolidated financial statements, primarily because the Consolidated Entity does not have defined benefit plan assets or obligations.
- AASB 13 Fair Value Measurement: See note 4 below.

4. Estimates

The preparation of the interim financial report in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2013.

4. Estimates (continued)

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Consolidated Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Consolidated Entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 Deferred Consideration

5. Operating segments

In the current financial period, the Consolidated Entity had one operating segment based on internal reporting regularly reviewed by the Chief Executive Officer (the chief operating decision maker (CODM)).

The operating segment is defined by management, based on the manner in which service is provided in the geographies operated in and correlates to the way in which results are reported to the Chief Executive Officer on a monthly basis.

The Consolidated Entity's operating segment (Operating Brands) includes International and Australian specialised marketing services including public relations, communications planning, strategy, research and data analytics, advertising, direct marketing and stakeholder communications.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Unallocated items comprise:

- Corporate overheads: costs associated with the centralised management and governance of Enero Group Limited, such as interest bearing loans, costs of borrowings and related expenses, and corporate head office assets and expenses; and
- Amounts relating to divested and closed businesses which are no longer connected to a segment.

Segment capital expenditure and development expenditure is the total cost incurred during the period to acquire assets that are expected to be used for more than one period.

The measure of reporting to the chief operating decision maker is on an Operating EBITDA basis (defined below), which excludes significant and non-operating items which are separately presented because of their nature, size and expected infrequent occurrence and do not reflect the underlying trading of the operations.

In relation to segment reporting, the following definitions apply to operating segments:

Operating EBITDA: earnings before interest, taxes, depreciation, amortisation, loss on sale of subsidiaries, fair value adjustment to deferred consideration, impairment charges and restructure costs.

Enero Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

5. Operating segments (continued)

Operating segments
For the six months ended 31 December
In thousands of AUD

2013	**Operating Brands**	**Total Segment**	**Unallocated**	**Elimination**	**Consolidated**
Gross revenue	113,888	113,888	-	-	113,888
Directly attributable cost of sales	(52,289)	(52,289)	-	-	(52,289)
Net revenue	**61,599**	**61,599**	-	-	**61,599**
Other income	218	218	-	-	218
Operating expenses	(53,277)	(53,277)	(3,532)	-	(56,809)
Operating EBITDA	**8,540**	**8,540**	**(3,532)**	**-**	**5,008**
Depreciation and amortisation					(2,291)
Net finance expenses					(67)
Income tax expense					(1,894)
Profit for the period					**756**
Goodwill	77,620	77,620	-	-	77,620
Other intangibles	1,738	1,738	-	-	1,738
Assets excluding intangibles	66,562	66,562	17,314	(15,067)	68,809
Total assets	**145,920**	**145,920**	**17,314**	**(15,067)**	**148,167**
Liabilities	35,235	35,235	20,025	(15,067)	40,193
Total liabilities	**35,235**	**35,235**	**20,025**	**(15,067)**	**40,193**

2012	**Operating Brands**	**Total Segment**	**Unallocated**	**Elimination**	**Consolidated**
Gross revenue	133,433	133,433	2,064	-	135,497
Directly attributable cost of sales	(67,325)	(67,325)	(352)	-	(67,677)
Net revenue	**66,108**	**66,108**	**1,712**	**-**	**67,820**
Other income	51	51	-	-	51
Operating expenses	(60,163)	(60,163)	(5,420)	-	(65,583)
Operating EBITDA	**5,996**	**5,996**	**(3,708)**	**-**	**2,288**
Restructure costs	(634)	(634)	(39)	-	(673)
Depreciation and amortisation expense					(2,337)
Impairment of intangibles	(75,931)	(75,931)			(75,931)
Fair value adjustment					693
Net finance expenses					(68)
Income tax expense					(1,228)
Loss for the period					**(77,256)**
Goodwill	70,922	70,922	-	-	70,922
Other intangibles	2,255	2,255	-	-	2,255
Assets excluding intangibles	67,234	67,234	14,657	(11,264)	70,627
Total assets	**140,411**	**140,411**	**14,657**	**(11,264)**	**143,804**
Liabilities	43,691	43,691	12,239	(11,264)	44,666
Total liabilities	**43,691**	**43,691**	**12,239**	**(11,264)**	**44,666**

6. Disposal of subsidiaries

31 December 2013
There were no disposals of subsidiaries in the current reporting period.

31 December 2012
On 10 August 2012, the Consolidated Entity disposed of its 51% interest in subsidiary Belgiovane Williams Mackay (BWM) for $7,500,000 in cash consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value.

As at 30 June 2012 this business was classified as a disposal group held for sale. For details, refer to the consolidated annual financial report as at and for the year ended 30 June 2012.

7. Impairment

For the six months ended 31 December
Impairment charge

In thousands of AUD	**2013**	**2012**
Impairment of intangibles	–	75,931
	–	75,931

Goodwill CGU allocation:

In thousands of AUD	**31 December 2013**	**30 June 2013**
Operating Brands	**77,620**	70,922
	77,620	70,922

The increase in the goodwill carrying value as compared to the prior reporting period is in relation to the increased Australian dollar translation of foreign currency denominated goodwill.

The Search Marketing CGU does not have any carrying value, as goodwill relating to these businesses was fully impaired during the year ended 30 June 2011.

Impairment tests for cash generating unit groups containing goodwill
Goodwill is tested for impairment on a business unit basis, reflecting the synergies obtained by the business unit. The Consolidated Entity is managed as one collective group, which reflects the lowest level of management of the groups of assets and the synergies of the business groupings. The aggregation of assets in the CGU group continues to be determined on the basis of a service offering. The CGU groups are consistent with the operating segments of the Consolidated Entity. The remaining Search Marketing businesses do not form part of the Operating Brands CGU as they do not obtain synergies with the businesses in that CGU. However they are included in the Operating Brands Segment. They have no carrying value.

The recoverable amount of a CGU group is assessed using calculation methodologies based on value-in-use calculation. The recoverable amount methodologies and assumptions for all of the CGU groups have remained materially consistent with those applied as at 30 June 2013, as disclosed in the 30 June 2013 annual financial report.

Key assumptions used in the value in use approach to test for impairment relate to the discount rate and the medium-term and long-term growth rates applied to projected cash flows.

7. Impairment (continued)

Impairment tests for cash generating unit groups containing goodwill (continued)

Projected cash flows:
The projected first year of cash flows are derived from results for the current financial year adjusted in some cases for expectations of future trading performance to reflect the best estimate of the CGU group's cash flows at the time of this report. Projected cash flows can differ from future actual results of operations and cash flows.

Discount rate:
The discount rate is based on the Consolidated Entity's pre-tax weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each CGU group and to obtain a post-tax discount rate. The discount rate has been adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

Growth rate:
A compound average growth rate (CAGR) of 2.4% (30 June 2013: 2.4%) has been applied to the cash flows of the first five years of cash flows. The five years of cash flows are discounted to present value. The growth rate is based on analysis of organic growth expectations and industry growth rates. Given the substantial change in the business over the prior two years, historical growth rates do not represent a reasonable basis to estimate future growth.

Long-term growth rate into perpetuity:
Long-term growth rates of 3.0% (30 June 2013: 3.0%) are used into perpetuity, based on expected long-range growth rates for the industry.

Impairment testing assumptions for CGU groups

	31 December 2013			30 June 2013		
	Post-tax discount rate	**Pre-tax discount rate**	**Forecast growth rate**	**Post-tax discount rate**	**Pre-tax discount rate**	**Forecast growth rate**
Operating Brands	12.10%	16.00%	3%	12.32%	16.23%	3%

Impairment of intangible assets in the half year ended 31 December 2012:
During the half year ended 31 December 2012, the Operating Brands CGU, which provides a range of specialised marketing services including public relations, communications strategy and research and data analytics, advertising, direct marketing and stakeholder communications, experienced a decline in earnings due to under-performance across a number of agencies stemming from a reduction in client spending. The Consolidated Entity reviewed the future cash flows of the CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the CGU was higher than its recoverable amount based on its value in use, the Consolidated Entity recognised an impairment charge against the goodwill of the CGU in the income statement of $75,931,000.

Sensitivity range assumptions for impairment testing assumptions
As at 31 December 2013, the estimated recoverable amount of the Operating Brands CGU marginally exceeds its carrying amount by approximately $1,600,000 and therefore any downward changes to the assumptions described above or cash flows would result in impairment charges.

8. Earnings per share

Profit attributable to ordinary shareholders

In thousands of AUD	2013	2012
Profit/(loss) for the year	756	(77,256)
Non-controlling interest	(605)	(419)
Profit/(loss) for the year attributable to equity owners	151	(77,675)
Participative rights that have dilutive effect	(136)	(67)
Diluted net profit/(loss) attributable to equity owners	15	(77,742)

Weighted average number of ordinary shares

In thousands of shares	2013	2012
Weighted average number of ordinary shares – basic	**80,810**	80,633
Shares issuable under equity based compensation plans	–	–
Weighted average number of ordinary shares – diluted	**80,810**	80,633

Earnings per share

In AUD Cents	2013	2012
Basic (AUD cents)	**0.19**	(96.33)
Diluted (AUD cents)	**0.02**	(96.41)

9. Deferred Consideration

The Consolidated Entity has not recognised an amount of $52,670,000 of contingent deferred consideration liabilities as payment of these amounts is not considered probable. This contingent deferred consideration liability is in relation to restructured deferred consideration arrangements entered into in the year ended 30 June 2011, and which is based on the Consolidated Entity achieving certain EBITDA targets. There is uncertainty around the actual payments that will be made subject to the performance the Consolidated Entity after the reporting date versus the targets. As the inputs in these valuations are not based on observable market data, this is deemed a level 3 measurement of fair value.

10. Contingencies

Contingent liabilities

Indemnities and warranties

Indemnities have been provided to directors and certain executive officers of the Company in respect of third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit applied to these agreements and there are no known obligations outstanding at 31 December 2013.

The Company is subject from time to time to claims or legal proceedings in the ordinary course of business and from warranties given in respect of business divestments. Any such claims are vigorously defended and a liability is only recognised where any loss is considered probable and is capable of reliable measurement.

11. Income tax expense

In thousands of AUD	2013	2012
Current tax expense		
Current year	**1,544**	739
Adjustments for prior year	**12**	53
	1,556	792
Deferred tax expense		
Origination and reversal of temporary differences	**338**	436
Income tax expense in income statement	**1,894**	1,228
Numerical reconciliation between tax expense and pre-tax accounting loss		
Profit/(loss) for the period	**756**	(77,256)
Income tax expense	**1,894**	1,228
Profit/(Loss) excluding income tax	**2,650**	(76,028)
Income tax benefit using the Company's domestic tax rate of 30% (2012:30%)	**795**	(22,808)
Increase in income tax expense due to:		
Tax losses not brought to account	**1,058**	1,590
Present value interest charge	**-**	33
Share based payment expense	**110**	149
Under provision for tax in previous years	**12**	53
Impairment charge	**-**	22,779
Other non-deductible items	**60**	221
Effect of higher/(lower) tax rate on overseas income	**5**	(93)
Decrease in income tax expense due to:		
Non assessable fair value gain	**-**	(208)
Unwinding of deferred tax liabilities established in business combinations	**(146)**	(488)
Income tax expense on pre-tax profit/(loss)	**1,894**	1,228

12. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the consolidated annual financial report as at and for the year ended 30 June 2013.

13. Subsequent events

There has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in the future financial period.

Enero Group Limited and its controlled entities
Directors Declaration

In the opinion of the directors of Enero Group Limited ("the Company"):

1. the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001 including:
   (a) giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the Consolidated Entity; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 13th day of February 2014.

Signed in accordance with a resolution of the directors:

John Porter
Chairman

Independent auditor's review report to the members of Enero Group Limited

We have reviewed the accompanying half-year financial report of Enero Group Limited, which comprises the consolidated interim statement of financial position as at 31 December 2013, consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Enero Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Enero Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

13 February 2014

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Enero Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

13 February 2014